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CalNet 485-5580

# Memorandum

To : Mr. Lloyd Allred, Technical Services  
Policy Planning and Standards Division (MIC:64)

Date: January 12, 1999

From : Lou Ambrose *LA*  
Tax Counsel

Subject: *Foreign Trade Zones - Applicability of Property Tax*

This memo replies to your question concerning the applicability of property tax to property imported to a facility in a California Foreign Trade Zone. In this regard, section 81(o), subsection (e) of Title 19 of the United States Codes Annotated (Customs Code) provides that

Tangible personal property imported from outside the United States and held in a zone for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing, and tangible personal property produced in the United States and held in a zone for exportation, either in its original form or as altered by any of the above processes, shall be exempt from State and local ad valorem taxation.

While the foregoing provision clearly exempts property held for the enumerated purposes from ad valorem state and local property taxation, the exemption does not apply to property that is imported for use (for manufacturing and like uses) within a foreign trade zone.

LA:cl

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Attachment

cc: Mr. Richard C. Johnson (MIC:63)  
Mr. David J. Gau (MIC:64)  
Ms. Jennifer L. Willis (MIC:70)

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DEPUTY DIRECTOR  
PROPERTY TAXES